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MEMORANDUM

**To:** Chief Fiscal Officers  
**From:** Martin J. Benison, Comptroller  
**Date:** May 19, 2006  
**Subject:** FY2007 Fringe Benefit Rate – Expanded to Include UI, UHI and Medicare  
Comptroller Memo FY#2007-03

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**Executive Summary**

The purpose of this memo is to confirm the approved FY2007 fringe benefit rate for health insurance, pension and terminal leave costs and to announce a change in the method used to charge unemployment insurance, universal health insurance and the employer's share of the Medicare tax.

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Comptroller Memo FY2007-01, dated January 4, 2006, advised departments that a fringe benefit rate proposal of 31.00% had been submitted for Federal approval. The early notice was to assist departments in planning for FY2007. We have recently received approval of a 32.62% rate.

This rate has been calculated with the concurrence of the Secretary of the Executive Office of Administration and Finance and the U. S. Department of Health and Human Services. Please see Administrative Bulletin A&F 5.

The health insurance, pension and terminal leave portion of the rate is applicable for both the state "5D" rate used to assess fringe benefit costs on all state funds, other than the General Fund, pursuant to M.G.L. Chapter 29, § 5D and the "6B" rate used to assess fringe benefit costs on Federally supported programs pursuant to M.G.L. Chapter 29, §6B. The rate used to determine the employer's share of these benefits is 31.28%. This rate is applied to the salaries expended under object codes A01, A07 and A09 to determine these fringe benefit costs. Note in FY2007 object codes A02, A03, A04 and A05 will be consolidated into A01. See the FY2007 Expenditure Classification Handbook for further details.

Additionally, commencing in FY2007 the method of assessing unemployment insurance, universal health insurance and the employer's share of the Medicare tax will be through the fringe benefit rate. Separate from the rate identified above, these fringe benefits apply to all account types pursuant to M.G.L. Chapter 151A, sections 14C and 14G for unemployment and universal health insurance, respectively, and M.G.L. Chapter 7A, sections 3, 7 and 8 for the Medicare tax. The rate used to determine the employer's share of these benefits is 1.34%. This rate is applied to the salaries expended under AA and CC object codes to determine these fringe benefit costs. There is no change in the method used to calculate the employee's share of Medicare tax withholding.

All fringe benefit assessments determined by these rates will be charged to object code D09 at the close of each accounting period.

Please note that certain expenditures made under Interdepartmental Service Agreements (ISAs) may trigger the assessment of fringe benefit costs to the ISA child account, and both the Parent and Child Departments are responsible for ensuring that these amounts are adequately funded in the ISA and identified in the ISA budget.

Questions regarding these component rates may be directed to Fred DeMinico at (617) 973-2625. Questions relative to the MMARS posting of fringe benefits should be addressed to Kraig Keady at (617) 973-2659.

Enc.     FY2007 Fringe Benefit Agreement

cc:       MMARS Liaisons  
         Payroll Directors